

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

February 28, 2007

The Honorable Carol McDaniel
LaPorte County Assessor
813 Lincolnway Street, Suite #201
LaPorte, IN 46350

Dear Ms. McDaniel:

RE: 2006 Annual Adjustment Ratio Study

The Department of Local Government Finance has reviewed the information and data you have submitted for the LaPorte County 2006 ratio study and the supplemental information provided in response to our January 22, 2007 letter. The Department hereby approves the ratio study results based on the study presented without verifying the actual data in order to allow the preparation and delivery of the real property list to the County Auditor pursuant to IC 6-1.1-5-14.

We do continue to have serious concerns about the accuracy and uniformity of the study given the number of sales used. We are concerned that the study will not stand up to public scrutiny, and we would encourage you to use all possible sales. Additionally, there have been questions raised about assessment practices, and information provided to our office, concerning the fairness and equity of the annual adjustment process in LaPorte County. Our office takes those allegations seriously and will continue to monitor the situation. However, so as not to delay the 2006 annual adjustment further, we will approve the study.

In conjunction with our Data Analysis section, please continue to ensure your sales disclosure file database is compliant. For assessment year 2007, your 2005 and 2006 sales disclosure data files must be compliant with the rules of the DLGF before we will process the 2007 ratio study.

If you have any questions or concerns, please feel free to contact Barry Wood, the Assessment Division Director, at (317) 232-3762 or by e-mail at Bwood@dlgf.in.gov.

Sincerely,

Melissa K. Henson
Commissioner

cc: Frank Kelly, Nexus Group
Barry Wood, Assessment Division Director



ALMY, GLOUDEMANS, JACOBS & DENNE

Property Taxation and Assessment Consultants

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Memorandum

Date: 28 February, 2007
To: William H. Wendt
From: Robert C. Denne

Re: LaPorte County Assessment Ratio Study

At your request I have examined the data contained in the computer file named "2006 LaPorte Ratio Study revised final 02_8_07.xls," which was apparently submitted by LaPorte County to the Indiana Department of Local Government Finance (DLGF). Based on my examination, there appears to be a reasonable likelihood that the data may be affected by a practice colloquially called "sales chasing," i.e. the selective reappraisal of properties that recently sold in a manner that is not commensurate with the methods used for the appraisal of all other property in the jurisdiction. Sales chasing, if it has really occurred, would invalidate any conclusions about the level of assessments or the uniformity of assessments drawn from the data, absent procedures to correct for its effects. Sales chasing would also presumably be an illegal practice on its face. Based on the data available, it is not possible to conclude for certain that sales chasing has occurred, but the evidence is quite suggestive and is summarized below.

Background Understandings

For year 2002, the counties and townships of Indiana implemented a general reassessment of all property on the basis of an objectively verifiable value, related in a certain sense to market value, taken as of January 1, 1999. For the following three years such value estimates have been subject to error corrections and minor revisions on the basis of physical changes and the like. For year 2006, however, the assessors' value estimates are to be systematically updated by means of an assessment ratio study to reflect changes in the relevant price level since the 2002 general reappraisal and, thereby, to minimize the shock of future general reappraisals when they are implemented. It is my understanding that the file noted above constitutes the assessment ratio study that is intended to provide the basis for the aforementioned systematically updated 2006 assessments.

The periodic update contemplated by law for 2006 is generally characterized as a trending of old assessments by factors derived from ratio study statistics so as to reflect differences in price levels since the last general reassessment. The presumption is that the trending factors may differ among property-use classes and perhaps among neighborhoods, but that all improved residential properties in a single neighborhood, for example, would likely be multiplied by the same factor to derive the new assessment from the prior assessment. If the factors do not differentiate among neighborhoods, of course, all residential properties might be multiplied by one factor, all commercial properties, by another factor, and so forth. Although following such a trending procedure would help to ensure that the general level of assessments would remain approximately correct relative to market changes, it would obviously do nothing to address any relative inequities among individual properties within a given class that is being adjusted by a uniform multiplier.

Analyses of the Data

There are two main lines of evidence that are suggestive of the probability of sales chasing in these data. First, there are anomalies in the reported coefficients of dispersion (CODs): many of them are surprisingly low, and there is a wide discrepancy between the CODs calculated for the ratios of the year-2005-assessments divided by the validated sales prices and those calculated for the ratios of the year-2006-assessments divided by the same sales prices. Second, there is a wide diversity in the percentages by which the 2005 assessments were changed into the 2006 assessments. Some of these factors would be expected, rather than indicative of sales chasing, if there had been a general reassessment between years 2005 and 2006. But, as noted above, there was not expected to be a general reassessment at this time, but rather a trending of old assessments by factors.

As Table 1 reveals, there is a pattern of low CODs for many property types for year 2006, which is suggestive of sales chasing in its own right. Even more suggestively, there is also a pattern of drastic decreases of the CODs from their level in respect of the year-2005 assessments to their level in respect of the proposed year-2006 assessments, even though statistics for both years were calculated from the same set of sales prices. The COD, as its name implies, measures the dispersion of the individual assessment-to-sale-price ratios of sold properties around their median. It is calculated as the percentage that the average absolute deviation of the ratios from their median is of that median; thus, it is unchanged if all the ratios in any given group are multiplied by a uniform factor. If, as expected, the year 2006 assessments were the result of factoring the year 2005 assessments, the CODs would not have changed very much. They would not have changed at all, in fact, absent the use of neighborhood-based factors in townships where there were enough sales to support the development of such factors at such a highly stratified level. To address the possibility that some properties may lack comparability between year 2005 and 2006, the columns in Table 1 present statistics calculated after extreme and outlier ratios have been excluded¹. As can be seen, the noted pattern of COD decreases from 2005 to 2006 remains evident after the elimination of both extremes and outliers.

¹ Extremes and outliers are defined here as they are by the *IAAO Standard on Ratio Studies* and as they were for the IFPI/DLGF ratio study following the general reappraisal of 2002. In particular: for each sold property, the ratio of its assessment to its sale price is calculated and the median of all such ratios is found. Logarithms of all the ratios are taken in order to give equal effect to equal percentage errors in either the assessment or the sale price. The first and third quartiles of the log ratios are found, and hence the interquartile range (IQR). Outliers are any values more than 1.5 times the IQR below the first quartile or more than 1.5 times the IQR above the third quartile. Extremes are defined analogously, but are observations at least 3.0 times the IQR from the quartiles, rather than merely 1.5 times the IQR from them.

Table 1: CODs of Assessments for 2006 & 2005 (With Various Levels of Trimming) Compared To Sales From 2004-2005, By Township and Major Class

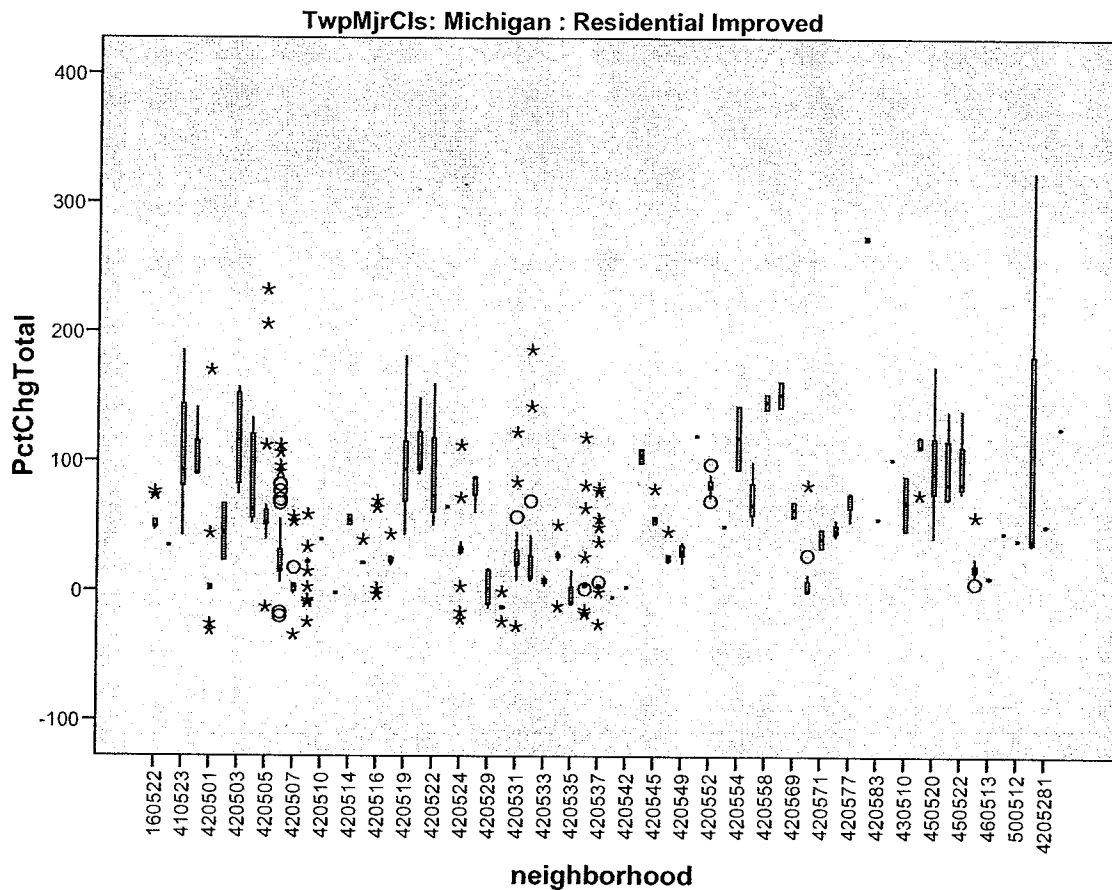
(Note: All Parcels Flagged as "Sold As Vacant" were also Excluded from the Analyses)

Line #	TwpMjrCls	Assessment-Year and Ratio-Trimming Practice				Assessment-Year and Ratio-Trimming Practice			
		2006 No Trimming	2005 No Trimming	2005 No Extremes	2005 No Outliers	2006 No Trimming	2005 No Trimming	2005 No Extremes	2005 No Outliers
		Coefficients of Dispersion				Sales Sample sizes			
1	Cass: Residential Improved	9.84	29.82	23.72	23.72	28	28	26	26
2	Cass: Residential Vacant	9.57	46.70	31.29	29.01	5	5	4	3
3	Center: Residential Improved	11.25	18.71	17.47	17.09	784	784	773	769
4	Center: Residential Vacant	8.53	203.87	45.35	37.21	73	73	44	35
5	Center: Commercial Improved	10.69	43.35	30.59	28.96	48	48	40	39
6	Center: Commercial Vacant	2.52	36.11	13.23	13.23	4	4	3	3
7	Center: Industrial Improved	-	-	-	-	1	1	1	1
8	Clinton: Residential Improved	6.07	43.06	24.82	24.82	31	30	24	24
9	Clinton: Residential Vacant	17.61	39.45	34.07	35.50	18	18	17	8
10	Clinton: Commercial Improved	-	-	-	-	1	1	1	1
11	Coolspring: Residential Improved	5.96	22.79	19.20	19.20	168	168	161	161
12	Coolspring: Residential Vacant	8.02	89.67	79.28	50.47	42	42	34	28
13	Coolspring: Commercial Improved	6.63	61.55	54.53	55.33	27	27	24	21
14	Coolspring: Commercial Vacant	1.29	67.61	-	-	3	3	-	-
15	Dewey: Residential Improved	10.88	27.84	27.84	27.84	22	22	22	22
16	Dewey: Residential Vacant	3.24	103.65	3.53	3.53	4	4	2	2
17	Galena: Residential Improved	8.92	33.30	33.30	30.72	23	23	23	22
18	Galena: Residential Vacant	6.90	210.93	51.10	-	16	16	2	1
19	Hanna: Residential Improved	10.99	32.08	32.08	32.08	16	16	16	16
20	Hanna: Residential Vacant	4.66	16.02	16.02	-	8	8	8	1
21	Hudson: Residential Improved	11.89	38.12	31.05	31.05	28	28	26	26
22	Hudson: Residential Vacant	7.97	74.00	42.77	43.21	19	19	10	7
23	Hudson: Commercial Improved	-	-	-	-	1	1	-	-
24	Hudson: Commercial Vacant	-	-	-	-	1	1	1	1
25	Johnson: Residential Improved	0.68	13.11	13.11	13.11	2	2	2	2
26	Johnson: Residential Vacant	-	-	-	-	1	1	1	1
27	Kankakee: Residential Improved	9.20	29.49	16.57	16.57	74	74	63	63
28	Kankakee: Residential Vacant	6.01	324.82	34.47	24.45	23	23	8	6
29	Kankakee: Commercial Improved	0.27	7.68	7.68	7.68	2	2	2	2
30	Kankakee: Commercial Vacant	0.30	100.00	-	-	2	2	1	1
31	Lincoln: Residential Improved	7.01	32.59	32.59	30.87	31	31	31	30
32	Lincoln: Residential Vacant	-	-	-	-	1	-	-	-
33	Michigan : Residential Improved	9.84	26.79	24.66	23.57	582	582	566	557
34	Michigan : Residential Vacant	7.07	61.92	52.01	41.71	81	81	68	52
35	Michigan : Commercial Improved	11.03	37.09	37.09	32.90	72	72	72	67
36	Michigan : Commercial Vacant	-	-	-	-	1	1	-	-
37	Michigan : Industrial Improved	8.36	69.52	57.54	46.81	11	11	10	9
38	Michigan : Industrial Vacant	-	-	-	-	1	1	-	-
39	New Durham: Residential Improved	10.34	41.97	15.91	14.50	74	74	52	51
40	New Durham: Residential Vacant	5.24	107.39	77.35	19.45	26	26	22	12
41	New Durham: Commercial Improved	9.57	33.87	33.87	33.87	4	4	4	4
42	Noble: Residential Improved	8.25	22.48	22.48	22.48	18	18	18	18
43	Noble: Residential Vacant	-	-	-	-	1	1	1	1
44	Pleasant: Residential Improved	8.92	22.50	19.82	18.21	86	86	83	81
45	Pleasant: Residential Vacant	8.58	49.67	42.41	41.03	8	8	6	2
46	Pleasant: Commercial Improved	9.64	25.27	25.27	9.91	5	5	5	4
47	Pleasant: Commercial Vacant	-	-	-	-	1	1	1	1
48	Prairie: Residential Vacant	0.12	-	-	-	3	3	-	-
49	Prairie: Commercial Improved	-	-	-	-	1	1	1	1
50	Scipio: Residential Improved	6.74	16.25	14.97	14.97	69	69	68	68
51	Scipio: Residential Vacant	8.80	72.53	67.46	43.52	32	32	25	18
52	Scipio: Commercial Improved	-	-	-	-	1	1	1	1
53	Springfield: Residential Improved	13.74	37.42	33.82	28.48	54	54	51	46
54	Springfield: Residential Vacant	4.65	417.46	22.07	10.22	13	13	5	4
55	Springfield: Commercial Improved	-	-	-	-	1	1	1	1
56	Union: Residential Improved	9.78	28.00	28.00	28.00	30	30	30	30
57	Union: Residential Vacant	7.01	20.86	20.86	-	2	2	2	2
58	Union: Commercial Improved	-	-	-	-	1	1	1	1
59	Washington: Residential Improved	7.42	37.62	31.49	31.49	14	14	13	13
60	Washington: Residential Vacant	8.41	34.78	27.78	18.12	10	10	9	7
61	Washington: Commercial Improved	-	-	-	-	1	1	1	1
62	Wills: Residential Improved	4.63	12.67	12.67	12.67	10	10	10	10
63	Wills: Residential Vacant	6.52	40.67	22.14	-	8	8	2	-

As noted above, when assessments are factored, as was expected for 2006, all parcels in a given group should show the same percentage change in assessment from one year to the next. Such was not the case for the property assessments of LaPorte County. The following charts are extracted from a 473 page appendix showing the percentage changes of assessed values for sold properties reported in the aforementioned file by township, major class of property, and neighborhood. Since neighborhood was not considered in Table 1, but constituted a possible basis for the application of trending factors, its effects were examined below.

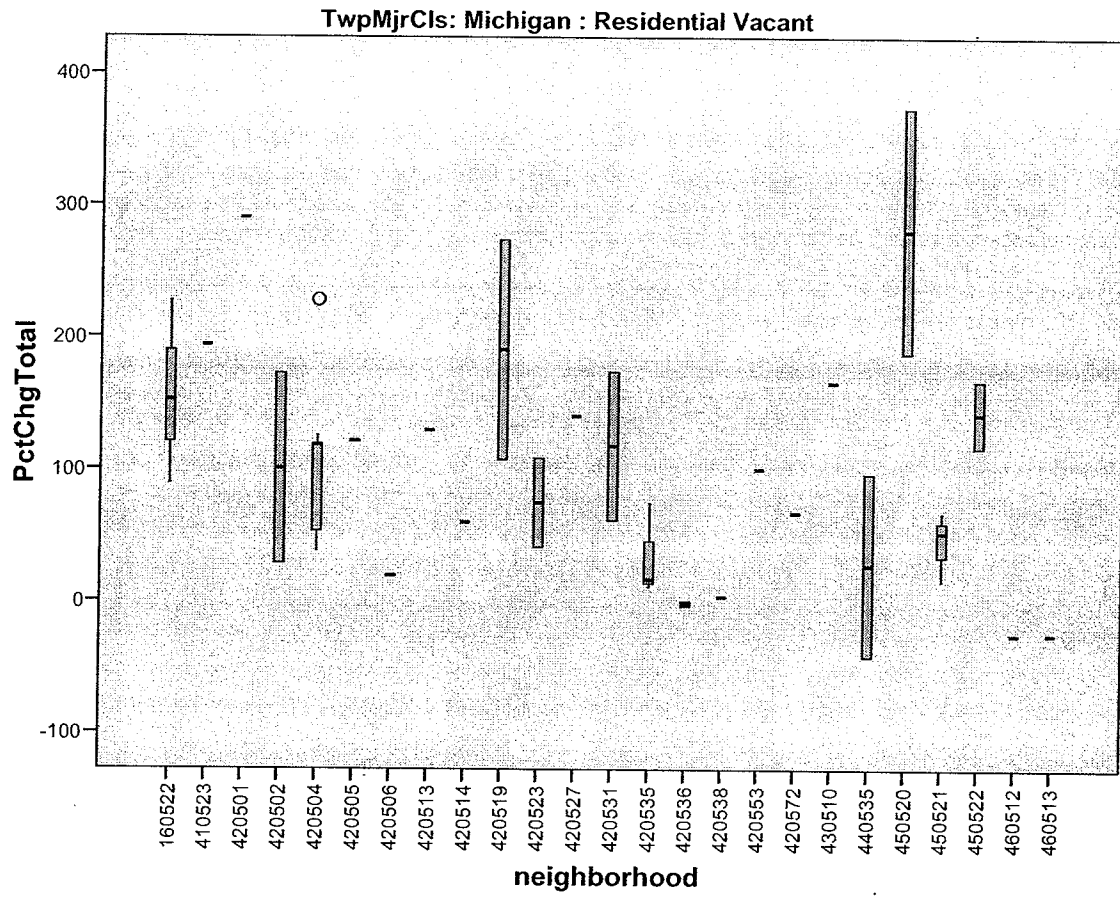
As before, an attempt was made to address the possibility that some properties might have changed natures, such as a new garage, that would make the percentage change of such properties different from a uniform standard. To minimize such possible problems, any property that was flagged as having been "sold as vacant" was excluded from the following analysis, along with all properties having extreme and outlier ratios as previously described.

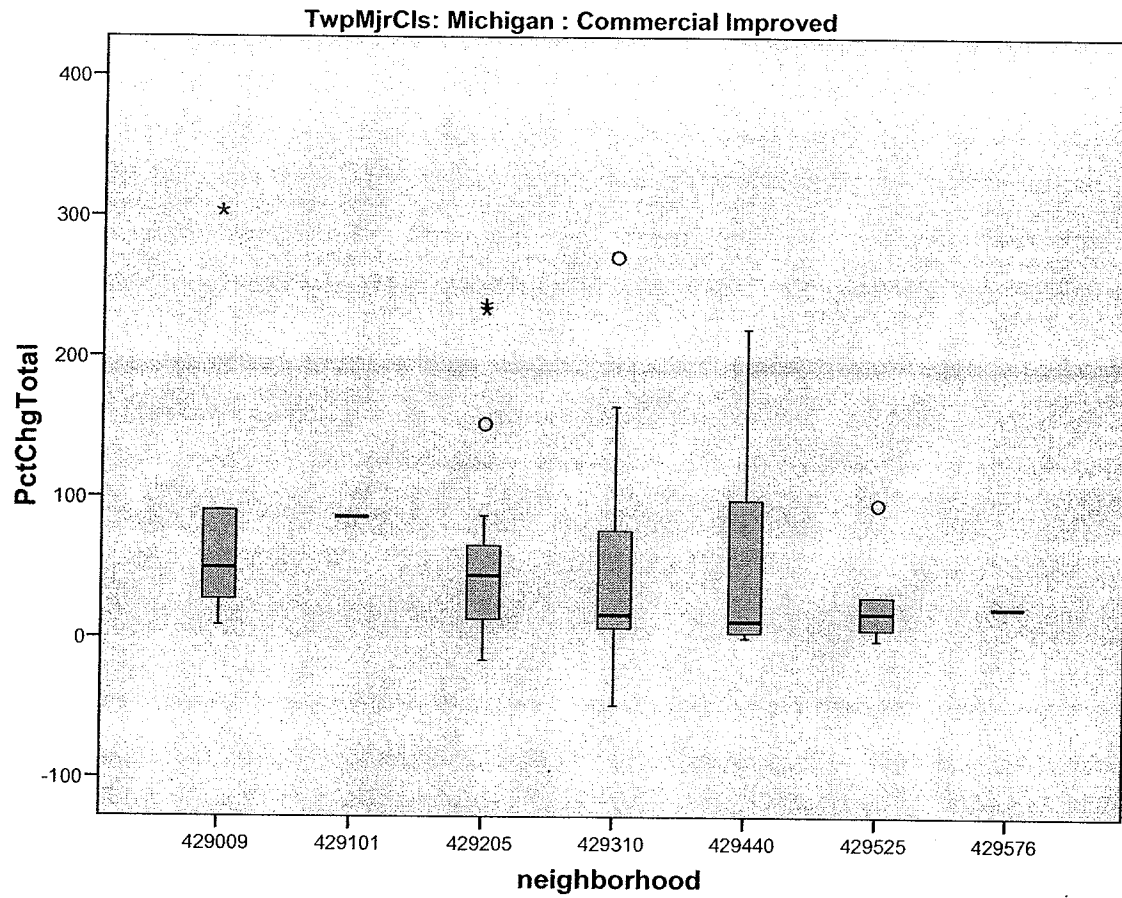
The following boxplots show, for property in Michigan Township, the percentage changes in three types of assessment from 2005 to 2006, by the neighborhoods in which the properties were located. The three types of assessment percentage changes shown are for total assessments, land assessments, and improvement assessments. This differentiation was done to account for the possibility that different factors had been chosen for land and improvements. As the charts reveal, there was no evidence of the expected uniformity of percentage changes.

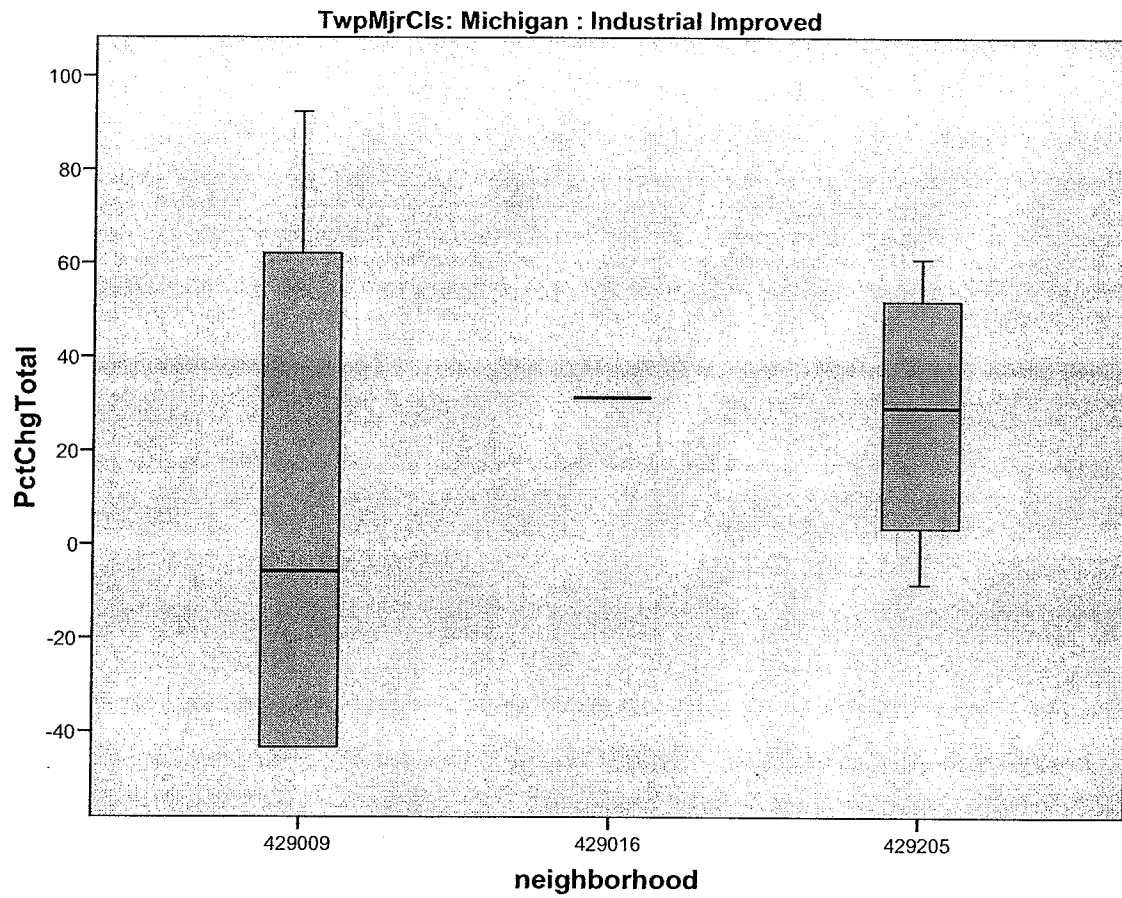


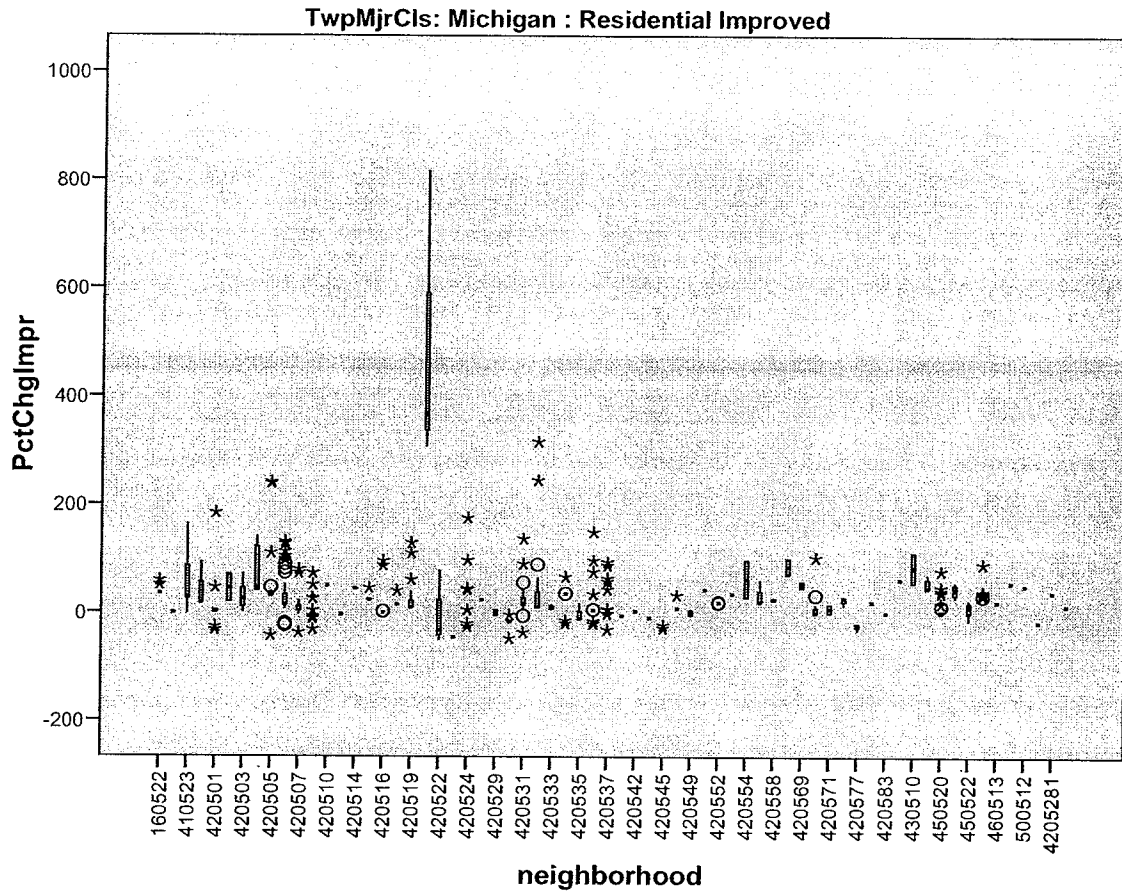
The charts are read as follows: each vertical box encloses the IQR of the assessment percentage changes for the particular neighborhood, and the horizontal line through the box shows the median. The vertical lines above and below the box shown the extent of the data distribution that would not be considered either outliers (which are shown individually as open circles) or extremes (which are shown as asterisks). The outliers and extremes shown in these charts have been computed separately for each plot and have been calculated anew for the data remaining after the removal of all outliers and extremes from the original data sets. Note that in virtually all cases where there is a small dot plotted for a neighborhood rather than an elongated bar, the reason is that for that combination of property type and neighborhood there was only one sale, not that there was a uniformity of percentage change for multiple properties.

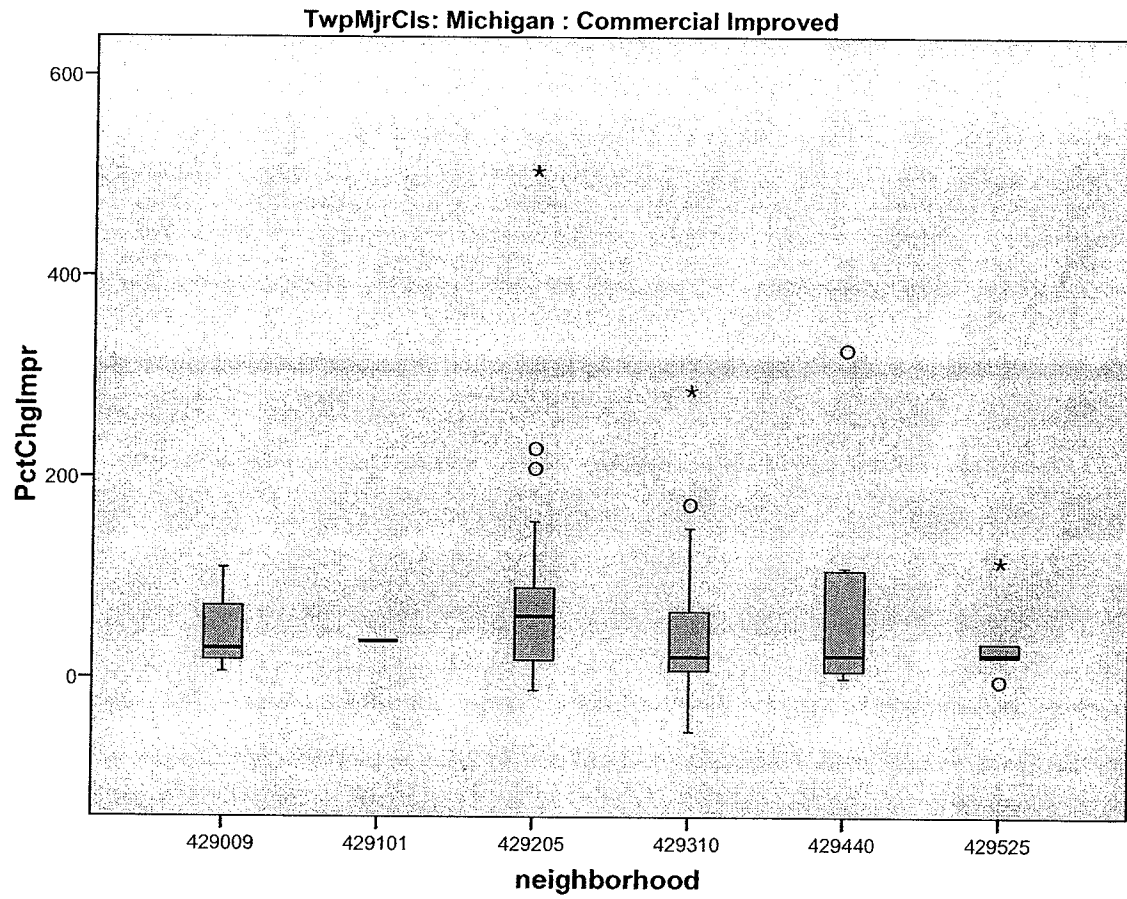
As can easily be seen, the evidence indicates that the changes in assessment did not follow the expected pattern of a uniform percentage change, by ratio-study stratum, from year to year. This, in turn, suggests "the practice of using the sale of a property to trigger a reappraisal of that property at or near the selling price. Sales chasing causes invalid uniformity results in a sales ratio study and causes invalid appraisal level results unless similar unsold parcels are reappraised by a method that produces an appraisal level for unsold properties equal to the appraisal level of sold properties" – quoted from the very definition of sales chasing according to the International Association of Assessing Officers, *Standard on Ratio Studies* (1999).

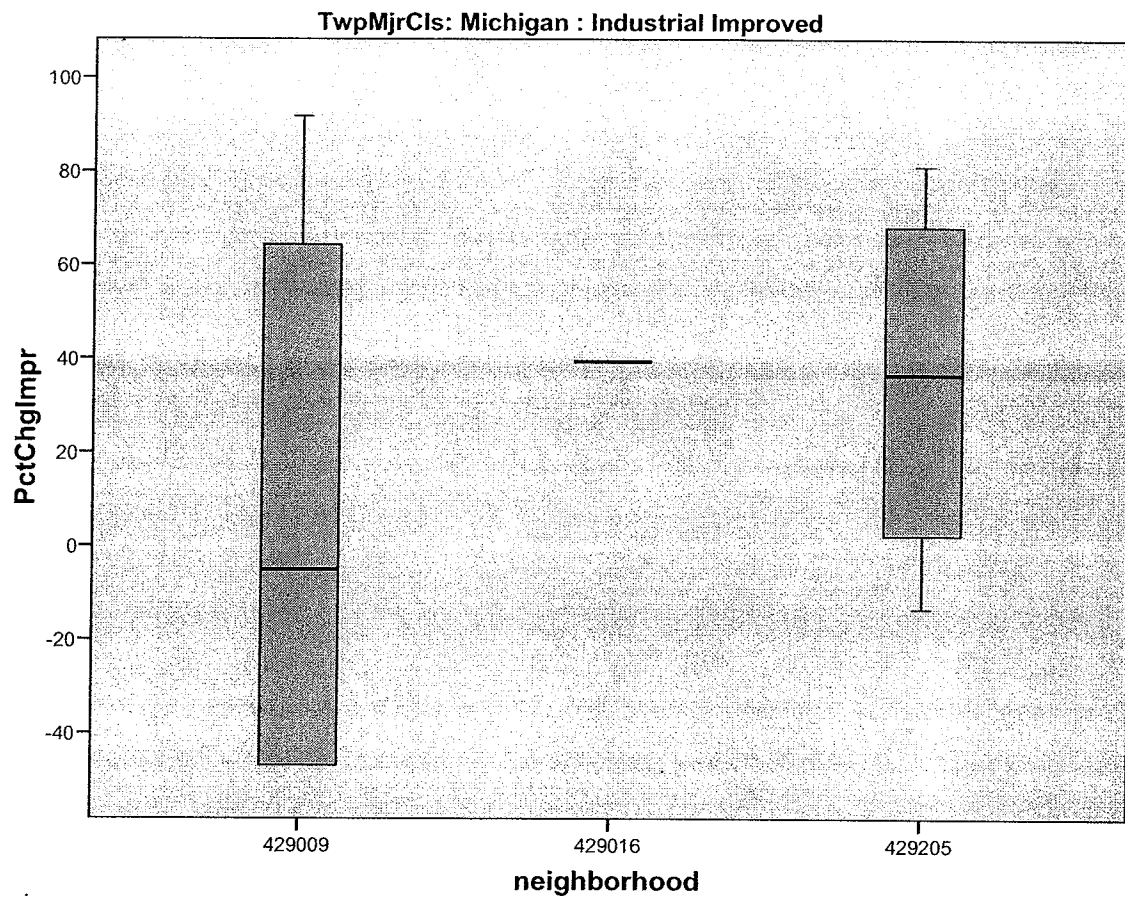


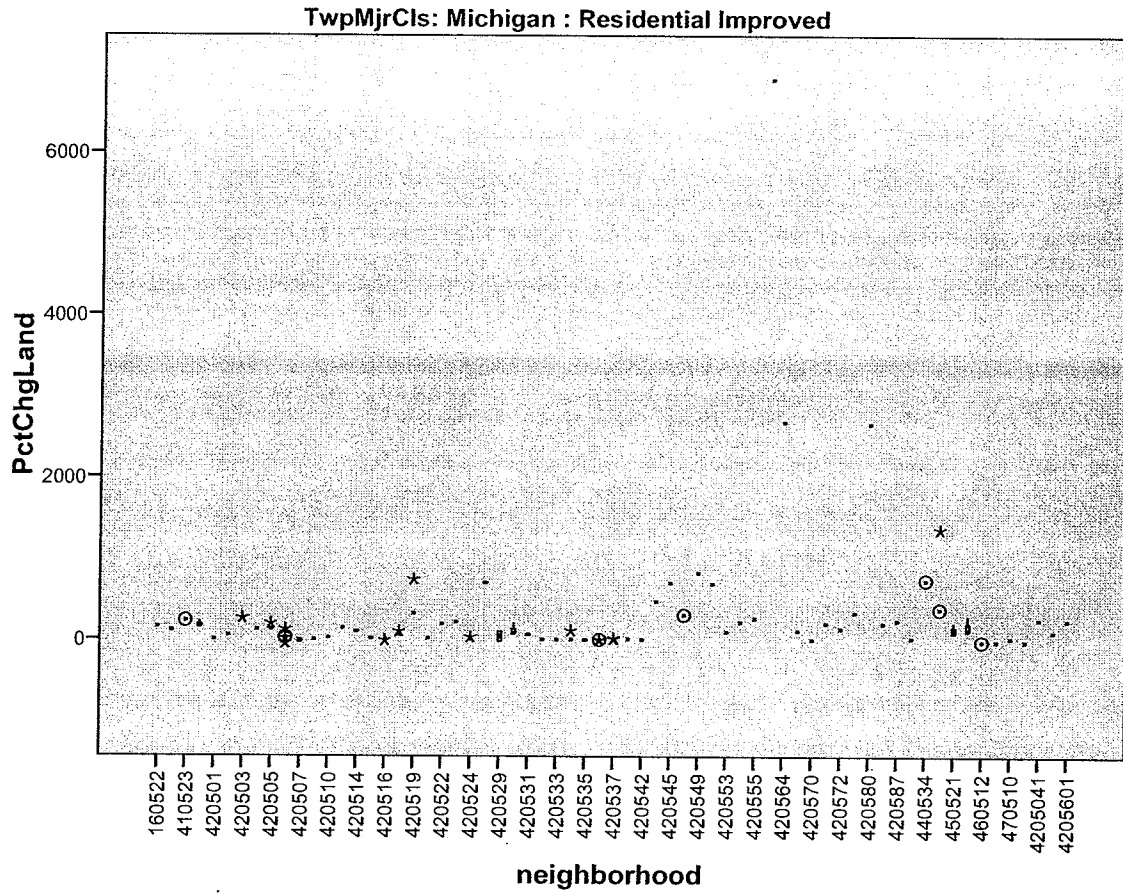


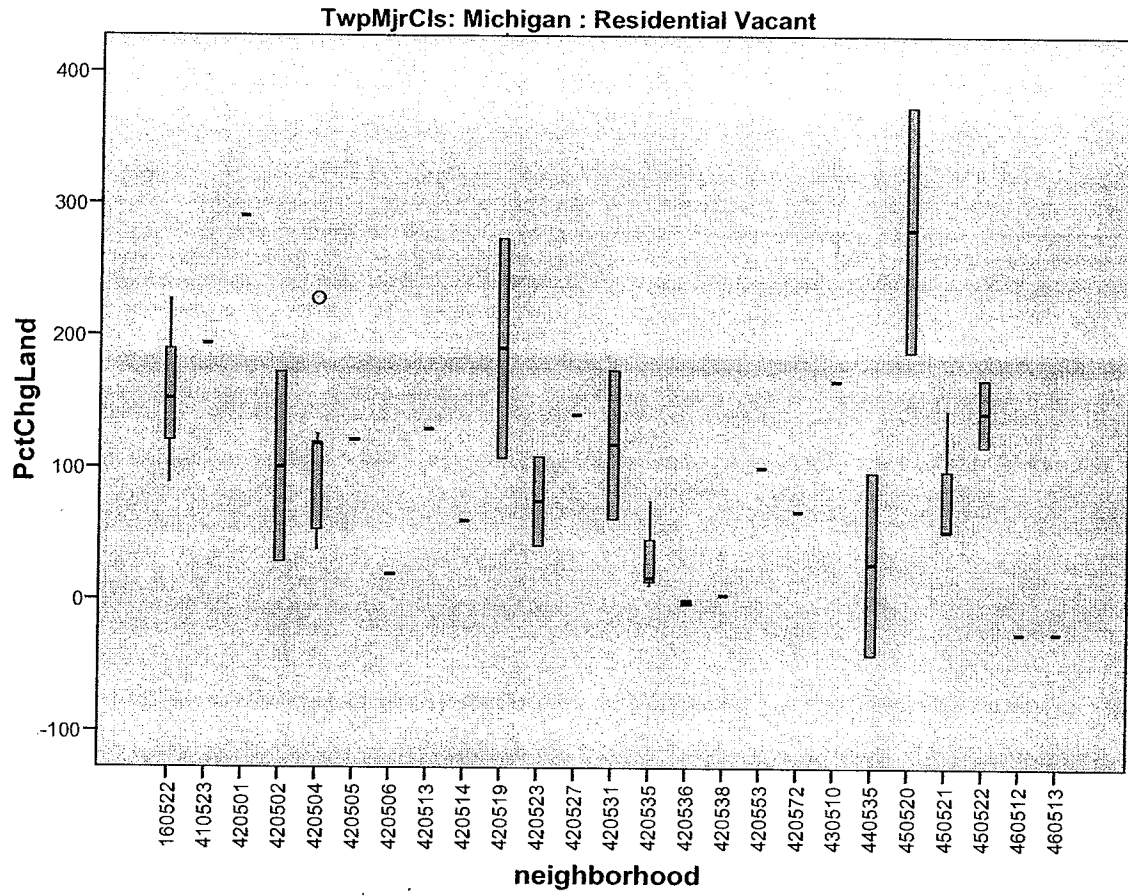


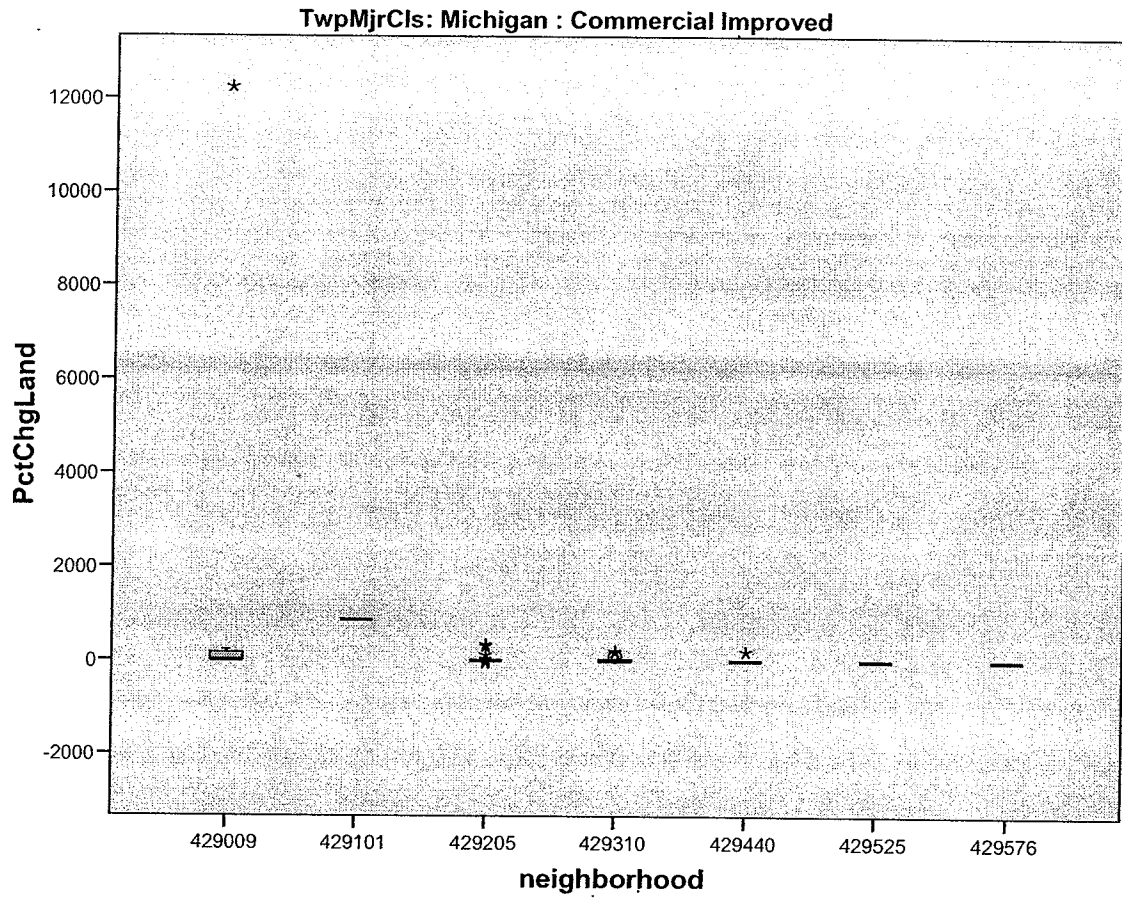


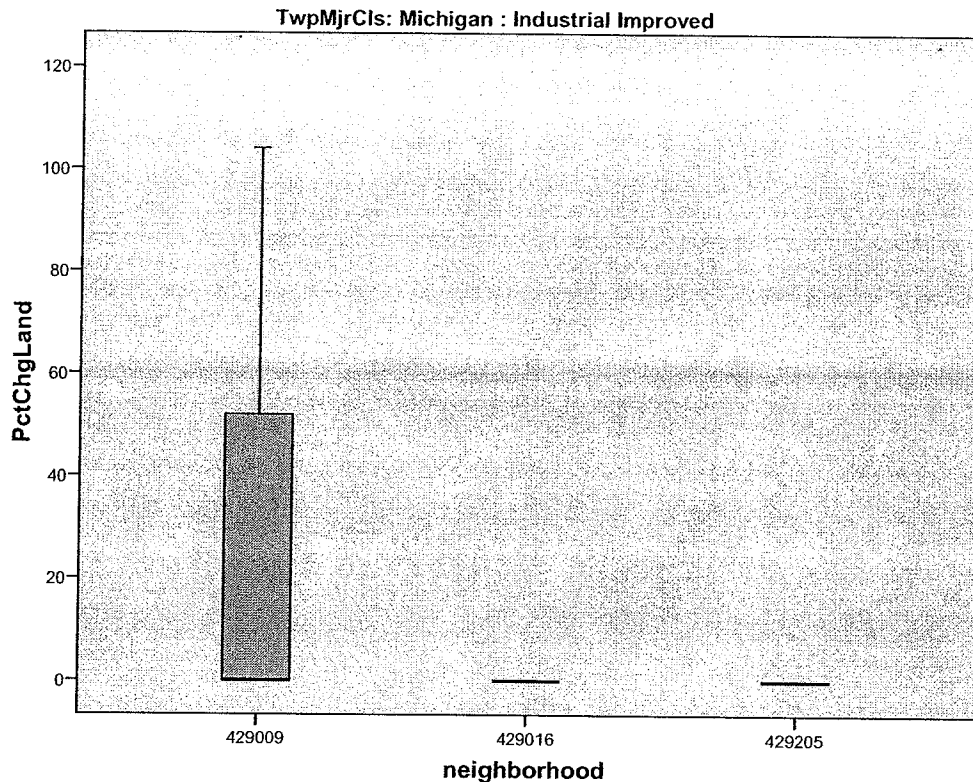












It is perhaps also worth noting that, in addition to the evidence suggesting the possibility of sales chasing found internally in the data set supplied, there was also evidence reported during the 2002 assessment ratio study performed by the Indiana Fiscal Policy Institute (IFPI) for DLGF that LaPorte County had likely engaged in sales chasing at that time.

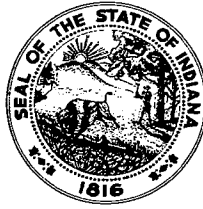
Conclusions and Next Steps

The available evidence does not permit a definitive conclusion of sales chasing, however much that possibility may be likely. In order to reach a definitive conclusion about sales chasing, it would be necessary to examine the assessments of all the properties in the jurisdiction, whether sold or unsold, for each of a series of years, optimally including each year-of-sale for properties included in the ratio study plus the year preceding the oldest year-of-sale. In addition to the minimal data on assessments (land, improvement, and total) for each year, it would also be useful to have data on property characteristics that can be expected to influence market values and their trends. These would include: the size and location of the land parcel; the size and kind of improvement to the property; the age, quality, and condition of the improvements; and any similar factors likely to influence its value, particularly those actually used in the assessor's value estimation processes. If these were available, it would be possible to isolate the effects on market values of changes in the nature of the property from more general changes in the price levels of similar properties, to compare changes for sold and unsold properties, to adjust the former to be commensurate with the latter, and to develop a ratio study free from the pernicious effects of sales chasing.

It would be advisable for this matter to be resolved. If sales chasing is definitively found, the ratio study will have to be adjusted to account for it, and the optimal approach to correcting the ratio study would depend on whether the problem is relatively recent or if it is pervasive. In either case, if sales chasing is found, failing to remove its effects from both the ratio study and the methodology for developing the 2006 assessments will result in inequitable assessments, as the *Standard on Ratio Studies* clearly states.

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
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March 6, 2007

The Honorable Carol McDaniel
LaPorte County Assessor
813 Lincolnway Street, Suite #201
LaPorte, IN 46350

Dear Ms. McDaniel:

RE: 2006 Annual Adjustment Ratio Study

The Department of Local Government Finance has recently received a document from a taxpayer regarding the LaPorte County 2006 annual adjustments that raises questions of fairness and equity. I have attached a copy of the document for your review and response.

In reviewing the information, the question of "sales chasing" has been raised, particularly in Michigan Township. Before continuing with the approval process of your 2006 ratio study, I believe the prudent course of action is to allow you the opportunity to review and respond to the information in the document. Specifically, by March 13, 2007, please respond in writing with a detailed analysis of how your annual adjustment process was conducted, how your ratio study was conducted, and address the concerns expressed in the attached document. Please feel free to submit any other information that you consider relevant to address the concerns raised by the attached document.

If you have any questions or concerns, please feel free to contact me at (317) 232-3762 or by e-mail at Bwood@dlgf.in.gov.

Sincerely,

Barry Wood
Assessment Division Director

Attachment

NEXUS GROUP

PROPERTY TAX CONSULTANTS

March 9, 2007

Mr. Barry Wood
Assessment Division Director
Department of Local Government Finance
Indiana Government Center North
100 N. Senate Ave., N 1058 (B)
Indianapolis, IN 46204

RE: Laporte County 2006 Annual Adjustment Ratio Study

Greetings Barry,

I am in receipt of your letter of March 6, 2007 regarding the above topic. Thank you for the opportunity to respond to these accusations that have led to the delay in the approval of the 2006 Laporte County Ratio Study. First, allow me to enumerate the various activities that have occurred in Laporte County in preparation for the 2006 Annual Adjustment process. Second, I would like to respond directly to Mr. Denne's analysis of the 2006 LaPorte County Ratio Study.

Overview of 2006 Trending Activities in LaPorte County

1. Completed field review of all commercial and industrial property in Center & Lincoln Townships; site visits resulted in changes to approximately 80% of all parcels; completed data entry of all changes for commercial and industrial property. This amounts to over 25% of commercial/industrial property in LaPorte County. Prior to the 2007 Annual Adjustment process, we expect to field review all remaining commercial/industrial parcels in the county.
2. Conducted additional field review of all residential property (vacant and improved) in the Lakeshore Drive area of Michigan Township, including that of Mr. Wendt. These properties were re-sketched and changes made to grade, condition and/or effective age, land allocation, and land influence factors. Such reviews were conducted by one or more Level II assessor/appraisers. The neighborhoods field-reviewed were: 410521, 410522, 420503, 420504, 420512, 420521, 420522, 420590, 420591, 440521, 440522, 450521, 450522 and 450589. This constitutes approximately 1000 parcels. Please note that changes were made to all residential property, both sold and unsold.
3. In addition to Michigan Township, residential field reviews were also conducted in other townships throughout the county, including Center, Clinton, Coolspring, Dewey, Hannah, Hudson, Lincoln, and Springfield. Together, these 9 townships (including Michigan), account for more than 75% of the residential parcels in LaPorte County.
4. Established and updated rental property database, including various areas of Michigan Township. Continued to collect detailed income and expense data on rental houses

throughout the county, especially in Michigan, Coolspring and Center Townships. To date, more than 600 rental properties are in the county database. This process also entailed establishing neighborhood desirability ratings for all rental properties, with assistance of the respective township assessors. In each instance, we established average rental rates, expense ratios and capitalization rates for all neighborhoods. Finally, per Indiana Code, we adjusted the 2006 assessed values on these rental homes using the income approach to value, specifically the Gross Rent Multiplier (GRM) basis.

5. Continued review of all residential neighborhoods and made changes for more homogenous delineations. During this process, we reduced the number of neighborhoods with less than ten parcels to 132 neighborhoods. New neighborhoods were established as appropriate in the cases of new subdivisions or re-examination of existing boundaries. Specifically in Michigan Township, several neighborhood boundaries were re-delineated. Affected parcels would naturally have significant changes in AV between 2005 and 2006.
6. Conducted field studies on numerous commercial property classes throughout LaPorte County, including fast food restaurants, dining lounges, convenience markets, gas stations, general retail, and banks. Updated property record cards to reflect new effective ages, grades, conditions, use types, and land allocations.
7. Entered into an agreement with GNIAR (Greater Northern Indiana Association of Realtors) to exchange data. We have received 4 years (2003 – 2006) of sales data from the Realtor database. The data is crucial for the validation of sales disclosure forms used in trending assessment values.
8. Developed the LaPorte County assessment website. Please reference:
<http://www.xsoftin.com/laporte/>
9. Data Corrections & Software Clean-up:
 - a. Corrected depreciation overrides on nearly 2,500 commercial and industrial parcels;
 - b. Corrected percent complete errors on 900 parcels;
 - c. Corrected more than 20,000 parcels (35,000 land records) that had overridden values in the land base rates (preventing systematic updates via land table changes), each requiring manual correction;
 - d. Removed negative influence factors on land on approximately 1,500 parcels county-wide; and
 - e. Corrected property class and use codes on approximately 1,400 parcels county-wide.
10. Updated all commercial and industrial cost and depreciation tables to better reflect actual market costs of as 1-1-05. This process involved detailed review of each cost item and comparison with various national and/or regional costing services or indices. We also included information from actual new construction documented costs in this update. These costs were subsequently adjusted using sales income data collected in LaPorte County.

11. Re-examined all land rates for all property classes (except agricultural) county-wide. In all townships this process resulted in upward revisions to various base rates (and change in base rate methodology in some cases) in most instances. In only a few select neighborhoods were base rates left unchanged, but in those cases, it appeared that 2005 values differed little from 1999 values. Influence factors applied to oversized lots or similar parcels were also reconsidered.
12. Based on the updated field information and updated land assessments, we re-computed all market adjustment factors ("neighborhood factors") county-wide. Again, as with land values, this process resulted in upward revisions to the market factors in most instances. In only a few neighborhoods were the factors left unchanged (or decreased), but in those cases, it appeared that 2005 values differed little from 1999 values (or had decreased).
13. Reassessed all mobile home parks in LaPorte County based on income and sales analysis. Updated number of pads, land allocations, grades, conditions and effective ages.

As you can see from our abbreviated list of activities, Laporte County has taken the Annual Adjustment Process seriously, and in essence, virtually performed a general reassessment for the 2006 real property values. Laporte County has gone well above and beyond the Annual Adjustment procedures outlined in 50 IAC 21.

Specifically for Michigan Township, I am sending additional information to you by CD. This includes the files:

- "Michigan Township Land & Factors 2006" detailing prior land rates, prior market factors, 2006 land rates and 2006 adjustment factors. Subsequent minor additional adjustments have been made to this information and at least one neighborhood has been added to account for parcels in a flood zone. This illustrates the significant assessment differences instituted township-wide as a result of the annual adjustment process. These changes did not impact only sold parcels.
- "Detailed Value Abstracts 06 pay 07". This document compares then-final 2006 assessments with 2005 assessments with detail on the land and improvement portions of each assessment. These reports exclude agricultural property.

Response to Mr. Denne's Analysis

The second file sheds significant light on the accusations of your letter and that of Mr. Denne. If one compares the dollar change of assessments for Coolspring Township, we find that approximately 25 of 5254 non-agricultural parcels experienced no change in assessment (0.47%). In other words, virtually all non-agricultural parcels in Coolspring Township experienced a change in assessment. This compares with a sold parcel count in Coolspring Township per the "2006 Laporte Ratio Study revised final 02_8_07" file of approximately 108 parcels. In a statistical sense, if indeed sales chasing had occurred, one would certainly expect to find a predominance of revised assessments to occur amongst sold property as compared to the

assessments of unsold property. As we see in this case, since virtually all assessments township-wide have been updated based on sales information (where applicable), there is no basis for this accusation or inference. A Wilcoxon-Mann-Whitney or similar non-parametric test would reach the same conclusion in comparing those two groups (sold vs. unsold) as having a predominance amongst the parcels that have experienced changes in assessments.

Your letter specifically targets Michigan Township as having engaged in this unprofessional practice. If one compares the dollar change of assessments for Michigan Township, we find that approximately 10 of 15,353 non-agricultural parcels experienced no change in assessment (0.06%). In other words, virtually all non-agricultural parcels in Michigan Township experienced a change in assessment. This compares with a sold parcel count in Michigan Township per the "2006 Laporte Ratio Study revised final 02_8_07" file of approximately 830 parcels. In a statistical sense, if indeed sales chasing had occurred, one would certainly expect to find a predominance of revised assessments to occur amongst sold property as compared to the assessments of unsold property. As we see in this case, since virtually all assessments township-wide have been updated based on sales information (where applicable), there is no basis for this accusation or inference. A Wilcoxon-Mann-Whitney or similar non-parametric test would reach the same conclusion in comparing those two groups (sold vs. unsold) as having a predominance amongst the parcels that have experienced changes in assessments.

Further review of this file indicates that assessed values township-wide have increased by over \$1B. Obviously, that increase did not simply emanate from changing the assessments of sold property and ignoring the assessments of similar unsold property.

Mr. Denne's letter contains various inaccurate assumptions and statements concerning the annual adjustment process as a careful reading illustrates. Paragraph 2 implies that assessed values are to be "systematically" updated by means of a ratio study to reflect changes in value. This statement does not compare favorably with IC 6-1.1-4-5 (c) 2 (a) requiring all factors affecting value to be re-considered. As detailed above, LaPorte County has considered virtually every factor that affects value. For residential property, nearly every neighborhood in the county experienced updated land values and neighborhoods factors. Many residential neighborhoods were field-reviewed, re-delineated, and updates were made to land influence factors, grade, condition and effective age. Based on this effort put forth in LaPorte County, it should come as no surprise that residential property experienced varying rates of change within townships, neighborhoods, and housing types. Though Mr. Denne's analysis is largely flawed and meaningless, it does support the fact the LaPorte County has adhered to the statutory requirement that all factors affecting value be re-considered with the annual adjustment process in Indiana.

Further, the basis for "Analysis of the Data" is also completely inaccurate. Apparently, Mr. Denne compares the 2005 assessments with sales prices in 2004-5 time periods, and then computes a COD statistic. Even a basic understanding of Indiana assessments would indicate that the 2005 assessments were to be based on value as of 1-1-99 and sales from the relevant time period (1998-1999). Of course one expects to find significant changes to valuation between 1999 and 2005. Given that 2005 is the valuation basis for the 2006 assessments and 1999 is the basis for the 2005 assessed values, this is certainly a rationale for a "wide discrepancy" between COD's in 2005 and those in 2006. However, comparing this statistic COD against a similar one

for the 2006 assessments against 2004-05 sales would only indicate that the trending process resulted in more accurate assessments and/or that sales prices differed in the 2004-05 time period as compared with those in 1998-99. That is hardly surprising. It is not only totally incorrect but highly irresponsible to attribute such changes to "sales chasing". Indeed, there had been virtually a complete reassessment between the 2005 assessed values and those in 2006. Mr. Denne ponders that occurrence in the last lines of the first paragraph of page two of his letter. If he had checked his supposed facts and assumptions, the conclusions would likely not be so incorrect.

I certainly respect the DLGF's interest and position in reviewing the annual adjustment process across Indiana. Further, I would suggest a similar comparison of 2005 and 2006 assessments across all parcels (sold and unsold) in every county as part of the review process to ensure that "sales chasing" does not occur. Neither the data nor the facts support this allegation in Laporte County as a whole and/or Michigan Township specifically.

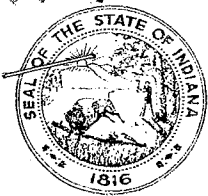
Various taxpayers, especially in the Michigan Township area of Lakeshore Drive, have outstanding real property appeals. Those appeals are either at the PTABOA level or with the Indiana Board of Tax Review. Mr. Wendt is one of those taxpayers. I would certainly request that the DLGF consider the source of such inflammatory commentary. Mr. Wendt will have the ability to present such arguments and statistical evidence at a hearing and have all the facts considered in that venue. I do not believe the DLGF's current mission includes weighing evidence in such matters. This procedure seems to be establishing a poor precedence in that a single disgruntled taxpayer can hold county tax rates and collections hostage until they receive satisfaction at some level.

Further, Mr. Denne demonstrates minimal understanding of both Indiana's annual adjustment process and assessment system. It is certainly regrettable that the DLGF would even consider his conclusions, based on the error-laden preface to the statistical calculations. Should the DLGF consider the use of an outside vendor to assist with any statewide ratio study, I would hope that consideration not be given to a vendor that also represents taxpayers. This inherent conflict would lessen the credibility of the DLGF and provide taxpayers less confidence in the state's property tax system.

In conclusion, I respectfully request that Mr. Denne's letter and analysis be dismissed as having no factual basis. Sixty-five thousand other Laporte County taxpayers anxiously await 2006 pay 2007 tax rates. I strongly urge the DLGF to approve LaPorte County's 2006 Ratio immediately so that the taxpayers in LaPorte County, especially those along Lakeshore Drive in Michigan Township, will not incur the added expense of further delay.

Sincerely,

Frank Kelly, PhD.
Nexus Group



**STATE OF INDIANA
HOUSE OF REPRESENTATIVES**

THIRD FLOOR STATE HOUSE
INDIANAPOLIS, INDIANA 46204

SCOTT D. PELATH
1824 Manhattan Street
MICHIGAN CITY, INDIANA 46360

COMMITTEES:
RULES AND LEGISLATIVE PROCEDURES, CHAIR
PUBLIC POLICY
ELECTIONS AND APPORTIONMENT
COMMITTEE ON JOINT RULES

March 14, 2007

Melissa K. Henson, Commissioner
Department of Local Government Finance
100 N. Senate Ave, N-1058B
Indianapolis, IN 46204

Dear Commissioner Henson:

I am writing on behalf of the LaPorte County Assessor, Carol McDaniel, in regard to the Department of Local Government Finance's (DLGF) actions in a taxpayer dispute. I appreciate your consideration of my thoughts on this issue.

It is my understanding that the county tax rate and collections are essentially on hold until this dispute is resolved. It seems that your department is requiring the county to take additional steps to prove that their initial assessments were valid. Are these steps required by statute or administrative rule? I would appreciate if you could identify the specific statute or rule that requires preliminary assessments to be approved by taxpayers prior to their implementation.

I am concerned this dispute already has or will negatively impact the taxpayers of my district. Furthermore, I am worried this dispute will prevent LaPorte County, which has incurred more than \$10,000 in legal expenses, from fulfilling its fiscal obligations. I would like some assurance that the DLGF is keeping these factors in mind as it considers this matter.

I look forward to your comments on this subject, and hope that this matter soon will be resolved. Please do not hesitate to contact me if you have any questions regarding my concerns.

Sincerely,

Scott D. Pelath
State Representative
House District 9

CC: Ms. Carol McDaniel, LaPorte County Assessor
LaPorte County Commissioners
LaPorte County Council
The Honorable B. Pat Bauer, Speaker of the House

File Copy

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

March 16, 2007

The Honorable Carol McDaniel
LaPorte County Assessor
813 Lincolnway Street, Suite #201
LaPorte, IN 46350

Dear Ms. McDaniel:

RE: 2006 Annual Adjustment Ratio Study


The Department of Local Government Finance has reviewed the information and data you have submitted for the LaPorte County 2006 ratio study and the supplemental information provided in response to our January 22, 2007 letter. The Department hereby approves the ratio study results based on the study presented without verifying the actual sales data in order to allow the preparation and delivery of the real property list to the County Auditor pursuant to IC 6-1.1-5-14.

We continue to have concerns about the accuracy and uniformity of the study given the low number of sales used. Additionally, we have reviewed the response to our March 6, 2007 letter concerning the assessment practices in LaPorte County, particularly in regard to the fairness and equity of the annual adjustment process, and believe the issues have been adequately addressed. Our office takes the assessment process seriously and will continue to monitor the situation in LaPorte County. However, so as not to delay the 2006 annual adjustment further, we will approve the study.

In conjunction with our Data Analysis section, please continue to ensure your sales disclosure file database is compliant. For assessment year 2007, your 2005 and 2006 sales disclosure data files must be compliant with the rules of the DLGF before we will process the 2007 ratio study.

If you have any questions or concerns, please feel free to contact Barry Wood, the Assessment Division Director, at (317) 232-3762 or by e-mail at Bwood@dlgf.in.gov.

Sincerely,


Melissa K. Henson
Commissioner

cc: Frank Kelly, Nexus Group
Barry Wood, Assessment Division Director